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23 May 57

THRU : Chief, St/I/R  
: Chief, D/S

Chief, S/CST

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Targets for Hungary

REFERENCE: St/I Office Notice No. 112, 9 April 1957

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Below is the S/CST contribution to the Targets list on Hungary:

#### Objective II d.

The strengths and weaknesses of the Soviet (including Satellite) economy, with particular references to its ability to support a major war; the motivation, character, and magnitude of current economic development programs, their implementation and their effect upon the economic, political, and military strength of the Soviet Bloc; the capabilities and vulnerabilities of the Soviet and Satellite internal communications systems.

#### Background

The disruption of the Hungarian economy caused by the October uprising has led to drastic revisions in investment and construction plans. Planned investment for 1957 was reduced by about one-half. This reduction was accomplished largely by eliminating from the plan projected new facilities for industry. Planned construction of new housing in 1957 is only slightly lower than actual construction in 1956. It is likely, however, that a new Three Year Plan for the Years 1958-60 will resume the emphasis on industrial expansion, and particularly expansion of heavy industry.

Like the other Satellites, Hungary has announced plans to decentralize control over planning of investments and construction. A basic deficiency in investment planning in the Satellites has been the tendency to underestimate the quantity of materials and labor inputs required for the construction of investment projects. It is also probable that investment plans are based on materials prices which do not reflect actual per unit costs of production. If this is the case, the reporting of construction plan fulfillment in value terms at plan prices understates the actual cost to society of investment projects and conceals failure to accomplish the planned physical volume of construction with allocated investment funds.

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SUBJECT: [REDACTED] Targets on Hungary

(A) General

Basic Guidance

Economic plans, programs, plan fulfillment reports, significant failures and achievements; construction planning apparatus; effects of recent moves to decentralize control over planning and execution of construction activity.

Distribution of construction output among major economic sectors; the extent of military and defense construction and the impact on the over-all construction program; shortages of building materials, particularly cement; any evidence of cutbacks in planned housing, social, and cultural construction so that resources can be diverted to industrial construction.

Methods of arriving at estimate prices for construction materials and manpower used in investment planning; actual costs of production of various building materials; prices at which materials are sold to construction enterprises and the basis for their determination; relationship of market prices to production costs and estimate (or plan) prices; price basis used by the construction industry in reporting plan fulfillment, i.e. is plan fulfillment reported in terms of plan prices or does it reflect actual prices paid for inputs, where actual prices differ from plan prices.

<u>No.</u>	<u>Target</u>	<u>Location</u>
1.	<u>Classified version of the economic plan for 1957.</u>	Most likely to exist in offices of the ministries or the State Planning Commission.
2.	<u>Classified versions of any new long range plan for the years 1958-60, yearly economic plans, budgets, and plan fulfillment reports.</u>	Same as above.
3.	<u>Classified directives of the Ministry of Construction concerning methods of reporting of construction output and plan fulfillment.</u>	Ministry of Construction, other investing ministries, and offices of construction enterprises.
4.	<u>Classified directives of the Ministry of Construction establishing prices of building materials and materials production enterprises. wage rates for specific types of labor.</u>	Ministry of Construction, construction enterprises, building materials production enterprises.

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SUBJECT: [REDACTED] Targets on Hungary

<u>No.</u>	<u>Target</u>	<u>Location</u>
5.	Classified production and financial records of enterprises producing building materials and their reports to the Ministry of Construction.	Ministry of Construction, individual building materials enterprises.
6.	Classified records of construction enterprises, with particular reference to total wages and materials costs and periodic reports to the Ministry of Construction.	Ministry of Construction, individual construction enterprises.

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Distribution:

Orig. & 1 -Addressee

2 - D/S

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ORR/S/CST: [REDACTED] rw/4597 (23 May 57)